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PRIORITY (Security Classification)

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FOREIGN SERVICE DESPATCH

F790004-1146

FROM : AMEMBASSY, GUATEMALA 352 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. October 23, 1953 (DATE)

REF : --

E-4 ICS-2 IG-1 UNA-2 OCT 26 1953

For Dept. Use Only | ACTION CA-10 | REC'D 10/26 | IN DEPT. REP-1 DC/R-2 ARA-2 I-3 IBS-2 IPS-1 SAMSA-1 | FOR OTHER army-35 navy-39 air-24 CIA-10 OSD-4 PSB-1 COM-3 AG-5 FRB-2 TR-3 FOA-6 EMB-3

SUBJECT: WEEKA NO. 42 - ECONOMIC SECTION

DECLASSIFICATION DATE 11-30-78
PER Coleman OFFICE ARA
FADRC EOI CASE NO. 740332

SECTION II

Action Assigned to [illegible]
Action Taken 10-27-53

714.00(W)/10-2353

Agrarian Bank (Unclassified)

Highlighting the celebration of the 9th Anniversary of the 1944 Revolution, the Guatemalan Government on October 20 inaugurated the National Agrarian Bank (BNA) in a ceremony attended by President ARBENZ at which Major Alfonso MARTINEZ, Chief of the National Agrarian Department (DAN), Communist Deputy José Alberto CARDOZA and pro-Communist Deputy Marco Antonio FRANCO made demagogic, anti-United States speeches. Alfonso BAUER Paiz, President of the Bank, confined his remarks to a brief announcement that the institution would begin operations immediately through its main Guatemala City office and seven branches in smaller towns, that $2,000,000 in loans would be granted to Agrarian Reform beneficiaries before the end of 1953, and that the loans would not be secured by mortgages but by the good faith of the grantees, the estimated value of their crops and the words of other trustworthy farmers.

Major Martínez, delivering the keynote address in the name of President Arbenz, began with an explanation that small farmers would no longer have to rely on private banks, "which only give money to those who can return it: the capitalists," and urged an increase in agricultural production to overcome Guatemala's dependence on coffee, "which does not benefit small farmers and merely leaves idle funds in the United States." He then launched an attack against: local capitalists who opposed the Government's "plan of economic liberation" in order to continue exploiting the masses; foreign officials and ex-officials who unjustly accused Guatemala of being Communistic (a reference to Assistant Secretary of State Cabot and former Assistant Secretary Braden); the United Fruit Company, whose pressure caused the United States Department of State to present a claim against Guatemala; and "a United

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REPORTER

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States official" who threatened the country's sovereignty. Major Martínez concluded by alleging that the benefits which the Revolution had given to the workers and farm laborers were as much threatened as the country's sovereignty and called on the new landholders to defend those benefits along with Guatemala's independence.

Restricted

The remarks by Messrs. Bauer Paiz and Martínez would appear to confirm further the belief that the Agrarian Bank will be used principally in an attempt to obtain the political support of small farmers, who until now have had direct contact with agrarian reform almost exclusively through the Communist-guided Local Agrarian Committees. Control of the Bank is thus of considerable potential importance, and it appears unlikely that its influence will be used to counteract Communist propaganda efforts at the local level as the BNA's six-man Board of Directors includes two leftist politicians and two representatives of Communist-dominated or influenced labor organizations. (WEEKA No. 31) End Restricted

Technical Aid and Central American Ministers of Economy Meeting (Unclassified)

Returning from the San José, Costa Rica meeting of Central American Ministers of Economy, Sr. Roberto FANJUL, Guatemalan Minister of Economy, told the press this week that the technical assistance received by the Central American countries from the United Nations had been invaluable and that Guatemala intended to continue taking full advantage of it; that Guatemala was currently preparing an economic program and had already requested a group of UN technicians in order to implement the program in 1954. Mr. Fanjul declined to provide details of the Government's plans but it is believed that he was referring to its proposed industrialization program (WEEKA No. 30).

Sr. Ramón CADENA, Under Secretary of the Ministry of Economy and also a delegate to the San José conference, said that the meeting had advanced the program of Central American economic integration and that with the technical cooperation of the UN the five countries would move toward a more efficient exploitation of their natural resources. He said that one of the most important matters discussed at San José was the creation of a school of public administration for high Government officials in order to modernize the antiquated methods now in use.

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Urban Real Estate (Unclassified)

The Municipal Council of Guatemala City this week approved new regulations for the development of suburban real estate which would authorize the municipality to suspend any operations whose plans did not meet minimum standards and had not been approved by the city engineer. Real estate developers would be required to post a bond as a guarantee of compliance with the approved plans. According to the press, a special committee is now putting the regulations into final form and will soon promulgate them.

Restricted

The new regulations appear to be reasonable and will be administered by the moderate and generally-cooperative municipal administration. It will be recalled that on October 8 Congress suspended for six months court actions involving building lots in newly sub-divided areas and appointed a commission to prepare a real estate development law (WEEKA No. 41). The city authorities and private interests apparently hope that the new regulations will forestall what would probably be a much more drastic move by the central Government. End Restricted

National Fair (Unclassified)

The Guatemalan National Fair opened on schedule this week although the lack of preparation and organization was clearly evident: the International Exposition Building was closed because there was only one exhibit; a riot broke out at the bull ring on October 20 when the fight had to be postponed because most of the reserved seats were taken by gate crashers before the legitimate ticket holders arrived; only one of two domestic industry exhibition buildings was open and five of the 23 "industries" were Government agencies; the roulette wheel was closed down shortly after beginning, allegedly due to the discovery of counterfeit chips; the horse races were delayed about 1-1/2 hours while workmen put a roof on the judges' stand and chalked signs on the betting windows; and the roller coaster was still under construction.

Restricted

Although the independent press had prophesied that the Fair could not possibly open on time because work did not begin until early August, the Government apparently felt that its inauguration on the scheduled date was essential in view of the wide official publicity proclaiming it to be "a reflection

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of Guatemala's development as a consequence of the changes wrought by the 1944 Revolution."

As a tourist attraction th[illegible] thus far has been a complete failure despite large s[illegible]pent on advertising in the United States and other count[illegible]. On October 21 Guatemala City's three principal hotels, with accommodations for 450, had only two Fair visitors among 110 guests and reported that November-December bookings were poor; the airlines stated that passenger traffic was normal and reservations for the next two months were below normal; and a large tourist agency reported that it had mailed thousands of announcements regarding the Fair to agents throughout the United States but had not received a single inquiry. End Restricted

William L. Krieg
Chargé d'Affaires ad interim

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